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DATE: February 27, 2013  
TO: Honorable Mayor and City Councilmembers  
FROM: City Manager's Office: Economic Development Division  
SUBJECT: **CONCEPTUAL ECONOMIC INCENTIVE PLAN TO CREATE A REVOLVING LOAN PROGRAM TO ASSIST CURRENT AND RECRUIT NEW BUSINESSES TO THE CITY**

**SYNOPSIS**

Staff recommends that the City Council approve a conceptual economic incentive plan to develop a revolving loan program that would assist current and recruit new businesses to the City.

**BACKGROUND**

The Economic Development Strategic Plan and the City Council Strategic Plan both have a goal and objective to develop a revolving loan program to attract and retain businesses.

To accomplish that goal, in 2011, the Economic Development Division developed a Comprehensive Economic Development Strategy (CEDS) that was certified by the Federal Economic Development Administration (EDA). Having a CEDS allows the City to apply for EDA funding. However, funding for a revolving loan program is currently not available. Also, the goal of the EDA is to fund projects that are regional in nature making the Oceanside revolving loan program unlikely to be funded.

**ANALYSIS**

The City Council has placed a high priority on developing and promoting business opportunities in Oceanside. The Council and EDC through the City's Economic Development Strategic Plan identified a goal of establishing a revolving loan program to both attract businesses and help existing businesses expand. Staff is developing a three prong program consisting of: a micro loan for small loans; gap financing loan to be used for construction or permanent financing of a building; and a targeted tenant improvement loan to be used for building owners or developers to construct lab space.

If the Council approves this conceptual plan, staff will request one-time use of General Fund money in the estimated amount of \$500,000 to create the program. The goal of the program will be to retain existing businesses in need of capital and to facilitate startup businesses, or businesses moving into the City. Staff will need to fully develop

criteria for funding. At this point staff believes that focusing on visitor serving, restaurant, and the manufacturing sectors makes sense with the goal of creating jobs, especially high-paying jobs. The number of jobs created will be tracked along with other statistical information.

The one time infusion of General Fund money would be an investment that would be revolving, being re-loaned over time. As a part of the conceptual plan, staff will recommend partnering with the San Diego CDC Small Business Finance Corporation and the Small Business Development Center as these two organizations have the technical expertise in loan processing, credit assessment, and risk analysis. No new City personnel would be needed to administer this program.

The Oceanside loan program would provide three loan types:

1. Micro Loans – Smaller scale loans to smaller businesses to be used for infrastructure improvements or working capital.
2. Gap Financing Loans – Used in combination with construction or permanent SBA 504 loans to bridge a gap needed to finalize a loan deal.
3. Targeted Tenant Improvement Loans – Loans to building owners or developers to create lab space to attract biotech companies to Oceanside.

City funds would be deposited into a pool account with the San Diego CDC Small Business Finance Corporation. Their guidelines for credit worthiness and loan approval would be used and a recommendation for funding would be brought to the Oceanside Revolving Loan Committee for approval of the deal prior to funding a business loan. The Loan Committee would consist of City staff, one member of the Economic Development Commission and the Executive Director of the Small Business Development Center. City Council would only approve the total revolving loan amount of \$500,000 and not each loan that is being made to businesses.

If City Council gives direction to move forward with this concept, a detailed revolving loan program will be developed and brought to the Economic Development Commission (EDC) at their March 12, 2013, meeting for input, and the final program would be presented to City Council in March or early April.

### **FISCAL ANALYSIS**

Direction for conceptual plan development will not create any costs beyond staff time needed to develop the program. When Council considers the actual proposal in March or April, staff will recommend one-time use of \$500,000 in General Fund monies to fund the program.

**CITY ATTORNEY'S ANALYSIS**

The City Attorney's analysis does not apply at this time.

**COMMITTEE/COMMISSION REPORT**

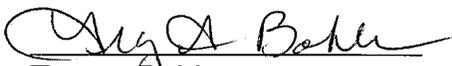
Should the City Council approve this conceptual plan, the EDC will have an opportunity at its March 12, 2013, meeting to weigh-in on staff's recommendation.

**RECOMMENDATION**

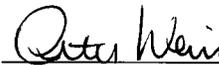
Staff recommends that the City Council approve a conceptual economic incentive plan to develop a revolving loan program that would assist current and recruit new businesses to the City.

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